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# If Long-Term Care Insurance Isn't for You: Other Options

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Long-term care insurance (LTCI) isn't for everyone. Not only is it expensive and sometimes hard to qualify for, but there's no guarantee you'll ever use the benefits. But if you decide not to buy LTCI, what are your alternatives?

## **You saved for a rainy day--it's here**

Should the need arise, you could use your personal savings to pay for long-term care (self-insurance). If you choose this option, you'll have to estimate how much money you might need to cover long-term care expenses and start an appropriate savings plan. And though there's a good chance that the amount you'll have to put aside each month to cover future medical expenses will equal (or exceed) what you'd pay in LTCI premiums, buying LTCI is not an option in some cases (e.g., if a pre-existing condition prevents you from qualifying for coverage). Keep in mind, however, that if you do choose to self-insure, there's always the chance that your savings won't be enough to cover your actual long-term care expenses.

## **Did you hear? Medicaid pays for long-term care**

Medicaid is a government-sponsored program that pays for medical treatment. People with low incomes who are elderly, disabled, or blind may be eligible if they meet the financial and medical requirements. These eligibility decisions are primarily based on:

- Income
- Net worth
- Need for nursing or custodial care

In most states, Medicaid subsidizes care in nursing facilities and at home (for those who meet Medicaid guidelines). Unfortunately, meeting Medicaid's financial requirements is difficult. Many people are forced to exhaust their life savings to qualify for Medicaid. A comprehensive LTCI policy may prevent this from happening.

## **Life insurance--it's not just for estate planning anymore**

If you have a cash value life insurance policy, familiarize yourself with the rules on policy loans and cash withdrawals. Most policies allow you to access your cash value in one of these ways, but the amounts may be limited, and there may be interest and tax consequences. Also, find out if your policy allows you to use part of the death benefit for medical expenses or long-term care while you are alive. (Policies with an accelerated benefits rider typically allow this.) Should you become terminally ill, you may also have the option to sell your life insurance policy to a viatical settlement funding company and use the money to pay for your care. You will typically get 40 to 85 percent of the policy's face value from a viatical settlement.

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## Get paid to live in your home

If you own your home outright or have a lot of equity in your home, you could consider a reverse mortgage. Basically, a reverse mortgage gives the lender a lien (or mortgage) on your home, and you receive either a lump sum or prearranged monthly payments. You typically don't have to repay the loan as long as you live in the home. However, if you move or if the house is sold, the loan must be repaid out of the proceeds of the sale. A reverse mortgage can be an easy source of cash, but it could also complicate matters if you plan on leaving your home to your heirs.

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